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COMMERCE FOR COBERG

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TAGS: [ECON](#) [EFIN](#) [BEXP](#) [KMPI](#) [MU](#)  
SUBJECT: TRAINING KEY TO SME DEVELOPMENT

REF: MUSCAT 1382

This is an action cable. Please see paragraph 7.

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SUMMARY  
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¶1. SME training and development in Oman is largely facilitated through the Intilaaqah program, sponsored by Shell. The program, which has graduated over 3,000 participants and sponsors an annual award for best entrepreneur, is looking to refresh its course offerings. Oman's largest bank is also looking to develop its SME lending portfolio. The Embassy requests further guidance on what USG assistance may be available in the areas of SME training and credit bureau formation. End Summary.

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INTILAAQAH "TAKES OFF"  
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¶2. In an October meeting with Econoff and Commercial Assistant, Dr. Andrew Wood, Shell Country Chairman in Oman, highlighted the benefits of the Intilaaqah ("take-off") program in creating a cadre of young Omani entrepreneurs. Wood noted that the program is designed to provide counseling and training for operating those microbusinesses that had been traditionally run by expatriates. The program, part of Shell's social investment program, is modeled on a Shell program entitled "Live Wire." In the 10 years that Intilaaqah has been in operation, the program has graduated 3,236 entrepreneurs in such courses as "Bright Ideas," "Become a Successful Owner/Manager," "Beat the Business Blues," and "Business Planning and Ownership." Sixty-four percent (2,085) of the graduates are female. After attending the training sessions, 1,334 graduates started their own businesses, 870 found employment in either the public or private sector, 425 continued their studies, and 433 remained unemployed.

¶3. In advertising SME development, Intilaaqah sponsors an annual "Best Entrepreneur Award." In addition to recognizing entrepreneurial achievement, Intilaaqah also awards cash prizes for the "Best Business Idea" and "Most Promising Start-Up," among others. On November 12, the Minister of Education, Yahya bin Saud bin Mansour al-Sulaimi, announced that a young female Omani was selected from among 200 applications as the winner of the 2006 Best Entrepreneur Award.

¶4. Wood cited a paternalistic government culture and a small, mercantilist business structure that crowds out small

enterprise as obstacles to further SME development. To overcome these obstacles, Wood noted that the Intilaaqah program would expand by creating an enterprise fund. This \$10 million revolving fund, to be managed by South African-based Grofen, would provide financing to those entrepreneurs unable to obtain bank financing on the account of lack of collateral. The Intilaaqah program is also looking to recruit an organization specialized in SME development to strengthen the overall offerings, refresh course material, and train instructional staff.

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BANK PERSPECTIVE ON SME DEVELOPMENT  
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15. Econoff met with Bank Muscat officials Ali Amin Ramadhan, Assistant General Manager for SME Credit and Marketing, and Abdulnasir Noori Ahmed al-Raisi, Head of SME Program Lending, to discuss the bank's efforts to support SME financing. Ramadhan noted that the bank offers a full-service department for SME financing under the "al-Wathbah" banner. Under this program, Bank Muscat provides six main financing products for entrepreneurs, including contracts, equipment, imports, receivables, and capital financing. In addition, the bank offers counseling to prospective clients in developing business plans, as well as a training center, where the bank brings in experts to advise clients on best practices. Since the establishment of the al-Wathbah program, the bank has lent out \$18.2 million to SMEs.

16. Ramadhan commented that the establishment of the al-Wathbah program was the bank's second attempt to assist small business development. On the previous attempt, the bank suffered significant losses through uncollectible loans. For that reason, the bank is charging a lending premium to current SME clients. The bank does not dedicate a certain amount of its funds to SME financing, but in order to facilitate growth in the SME sector, Ramadhan noted that further training should be offered in terms of business plan development. He found that potential clients did not have the financial expertise to develop a credible financial forecast, stating that lots of entrepreneurs were "just guessing." Another obstacle Ramadhan found was the reluctance of the clients to put up their own cash in the business. In addition, the establishment of a government entity to guarantee entrepreneurial loans would encourage banks to increase their lending to SMEs. Finally, Ramadhan called for the establishment of a credit bureau to assist the bank in understanding their potential customers better.

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ACTION REQUEST  
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17. Per reftel, Embassy would be interested in learning whether MEPI would be in the position to work with a corporate entity such as Shell in efforts to refresh the SME training program provided by Intilaaqah. The Embassy would also appreciate potential assistance in the formation of a credit bureau, and would request guidance on assistance in efforts to create a loan guarantee agency for SME lending.

GRAPPO